

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY

W-01906A
Bob B. Watkins
dba East Slope Water Company
c/o Southwestern Utility Management, Inc.
P.O. Box 85160
Tucson, AZ 85754

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2010
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FOR COMMISSION USE

ANN 04	10
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3-7-11

COMPANY INFORMATION

Company Name (Business Name) East Slope Water Company

Mailing Address c/o Southwestern Utility Management, Inc. P.O. Box 85160

(Street)

Tucson

(City)

AZ

(State)

85754

(Zip)

520-623-5172

Telephone No. (Include Area Code)

520-792-0377

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

Local Office Mailing Address Same as above

(Street)

(City)

(State)

(Zip)

Local Office Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

MANAGEMENT INFORMATION

☐ **Management Contact:** Southwestern Utility Management, Inc.

(Name)

(Title)

P.O. Box 85160

Tucson

AZ

85754

(Street)

(City)

(State)

(Zip)

520-623-5172

Telephone No. (Include Area Code)

520-792-0377

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

On Site Manager: Gary Newman

(Name)

2102 N. Forbes, #107

(Street)

Tucson

(City)

AZ

(State)

85745

(Zip)

520-623-5172

Telephone No. (Include Area Code)

520-792-0377

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

Statutory Agent: Bob Watkins

(Name)

200 E. Vista

(Street)

Bisbee

(City)

AZ

(State)

85603

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Attorney: _____

(Name)

(Street)

(City)

(State)

(Zip)

Telephone No. (Include Area Code)

Fax No. (Include Area Code)

Cell No. (Include Area Code)

Email Address _____

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ **Sole Proprietor (S)**

☒ **C Corporation (C) (Other than Association/Co-op)**

☐ **Partnership (P)**

☐ **Subchapter S Corporation (Z)**

☐ **Bankruptcy (B)**

☐ **Association/Co-op (A)**

☐ **Receivership (R)**

☐ **Limited Liability Company**

☐ **Other (Describe)** _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ **APACHE**

☒ **COCHISE**

☐ **COCONINO**

☐ **GILA**

☐ **GRAHAM**

☐ **GREENLEE**

☐ **LA PAZ**

☐ **MARICOPA**

☐ **MOHAVE**

☐ **NAVAJO**

☐ **PIMA**

☐ **PINAL**

☐ **SANTA CRUZ**

☐ **YAVAPAI**

☐ **YUMA**

☐ **STATEWIDE**

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	26758	6957	19801
307	Wells and Springs	35925	21205	14720
311	Pumping Equipment	295723	182348	113375
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	144856	136445	8411
333	Services			
334	Meters and Meter Installations	7778	6326	1452
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	11330	11330	---
341	Transportation Equipment	49938	49938	---
343	Tools, Shop and Garage Equipment	38	4	34
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	572346	414553	157793

This amount goes on the Balance Sheet Acct. No. 108



CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization			
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements	26758	5%	1431
307	Wells and Springs	35925	20%	850
311	Pumping Equipment	295723	Various	6653
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes			
331	Transmission and Distribution Mains	144856	Various	352
333	Services			
334	Meters and Meter Installations	7778	14.28%	102
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment			
340	Office Furniture and Equipment	11330	20%	142
341	Transportation Equipment	49938	20%	---
343	Tools, Shop and Garage Equipment	38	20%	4
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	TOTALS	572346		9534

This amount goes on the Comparative Statement of Income and Expense _____
Acct. No. 403.

Depreciation for 2010 is calculated on O.C.L.D.

See Accountants' Report

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	8801	5593
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable	(8254)	21761
146	Notes/Receivables from Associated Companies	13114	13114
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	13661	40468
	FIXED ASSETS		
101	Utility Plant in Service	555929	572346
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	(405019)	(414553)
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	150910	157793
	TOTAL ASSETS	164571	198261

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	56616	47637
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	21904	24442
236	Accrued Taxes	196	803
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	--	---
	TOTAL CURRENT LIABILITIES	78716	72882
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	155423	179304
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	5919	5919
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	5919	5919
	TOTAL LIABILITIES	240058	258105
	CAPITAL ACCOUNTS		
201	Common Stock Issued	5000	5000
211	Paid in Capital in Excess of Par Value	(43553)	(41153)
215	Retained Earnings	(36934)	(23691)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	(75487)	(59844)
	TOTAL LIABILITIES AND CAPITAL	164571	198261

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	211504	283908
460	Unmetered Water Revenue		
474	Other Water Revenues	1464	5096
	TOTAL REVENUES	212968	289004
	OPERATING EXPENSES		
601	Salaries and Wages	---	---
610	Purchased Water		
615	Purchased Power	52801	45851
618	Chemicals	460	1846
620	Repairs and Maintenance	6469	10423
621	Office Supplies and Expense	8202	9201
630	Outside Services	100455	92980
635	Water Testing	3980	4888
641	Rents	---	---
650	Transportation Expenses	11822	6319
657	Insurance – General Liability	6491	1513
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case	1775	27098
675	Miscellaneous Expense	229	372
403	Depreciation Expense	12474	9534
408	Taxes Other Than Income	(202)	---
408.11	Property Taxes	16001	14236
409	Income Tax	7521	15554
	TOTAL OPERATING EXPENSES	228478	239815
	OPERATING INCOME/(LOSS)	(15510)	49189
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income		\$
421	Non-Utility Income	1786	1968
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense	(1544)	(37914)
	TOTAL OTHER INCOME/(EXPENSE)	242	(35946)
	NET INCOME/(LOSS)	(15268)	13243

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	Various	Various		
Source of Loan	Nathan Watkins	Wells Fargo Credit Loan		
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$86535	\$	\$	\$
Amount Outstanding	\$50545	\$128759	\$	\$
Date of Maturity				
Interest Rate	10%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End	<u>\$ 14463.51</u>
Meter Deposits Refunded During the Test Year	<u>\$ 2667.50</u>

COMPANY NAME East Slope Water Company	
Name of System:	ADEQ Public Water System Number: 02-028

WATER COMPANY PLANT DESCRIPTION

WELLS

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-805786	20	80	549	8"	3	1964
55-805787	20	100	560	8"	3	1963
55-805788	75	40	620	12	2	1971
55-805789	75	300	802	10	4	1977
55-551665	?	5	210	6"	1"	1995

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	2	4	1
30	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
200,000	1	5000	3
50,000	1	3000	1
		1000	1
		85	1

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME East Slope Water Company	
Name of System:	ADEQ Public Water System Number: 02-028

WATER COMPANY PLANT DESCRIPTION (CONTINUED)

MAINS

Size (in inches)	Material	Length (in feet)
2	PVC	28,000
3	AC	16,000
4	AC/PVC	97,000
5		
6	AC/PVC	10,000
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	793
3/4	
1	15
1 1/2	10
2	4
Comp. 3	
Turbo 3	
Comp. 4	
Turbo 4	
Comp. 6	
Turbo 6	

For the following three items, list the utility owned assets in each category for each system.

TREATMENT EQUIPMENT:

Five Chlorinators

STRUCTURES:

OTHER:

Note: If you are filing for more than one system, please provide separate sheets for each system.

COMPANY NAME: East Slope Water Company	
Name of System:	ADEQ Public Water System Number: 02-028

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2010

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD (Thousands)	GALLONS PUMPED (Thousands)	GALLONS PURCHASED (Thousands)
JANUARY	776	5401	5999	
FEBRUARY	778	4225	4787	
MARCH	774	4829	4887	
APRIL	769	5310	5778	
MAY	771	8320	8526	
JUNE	771	8206	8473	
JULY	772	9745	8910	
AUGUST	771	7242	7729	
SEPTEMBER	775	5627	5646	
OCTOBER	775	6255	6722	
NOVEMBER	772	6351	6695	
DECEMBER	768	5114	5025	
TOTALS →		76625	79177	

What is the level of arsenic for each well on your system? <0.001 mg/l

(If more than one well, please list each separately.)

If system has fire hydrants, what is the fire flow requirement? ____ GPM for ____ hrs

If system has chlorination treatment, does this treatment system chlorinate continuously?

☒ Yes ☐ No

Is the Water Utility located in an ADWR Active Management Area (AMA)?

☐ Yes ☒ No

Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?

☐ Yes ☒ No

If yes, provide the GPCPD amount: _____

Note: If you are filing for more than one system, please provide separate data sheets for each system.

COMPANY NAME: East Slope Water Company	
Name of System:	ADEQ Public Water System Number: 02-028

UTILITY SHUTOFFS / DISCONNECTS

MONTH		Termination without Notice R14-2-410.B	Termination with Notice R14-2-410.C	OTHER
JANUARY			0	
FEBRUARY			8	
MARCH			0	
APRIL			5	
MAY			0	
JUNE			0	
JULY			0	
AUGUST			1	
SEPTEMBER			15	
OCTOBER			8	
NOVEMBER			6	
DECEMBER			11	
TOTALS →		0	54	

OTHER (description):

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2010 was: \$ 14235.72

Attach to this annual report proof (e.g. property tax bills stamped “paid in full” or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME) PIMA
NAME (OWNER OR OFFICIAL) TITLE BONNIE O'CONNOR, MANAGER
COMPANY NAME EAST SLOPE WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

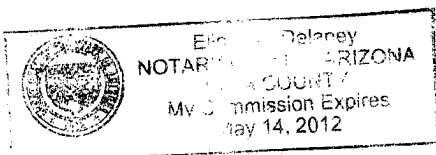
MONTH	DAY	YEAR
12	31	2010

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.

I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND PAID IN FULL.



[Signature]
SIGNATURE OF OWNER OR OFFICIAL

520-623-5172
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS

30

DAY OF

(SEAL)

MY COMMISSION EXPIRES MAY 14, 2012

COUNTY NAME	PIMA
MONTH	MARCH
YEAR	2011

[Signature]
SIGNATURE OF NOTARY PUBLIC

COMPANY NAME East Slope Water Company

YEAR ENDING 12/31/2010

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported _____
Estimated or Actual Federal Tax Liability -0-

State Taxable Income Reported _____
Estimated or Actual State Tax Liability -0-

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.


SIGNATURE

3/2/11
DATE

Bonnie O'Connor
PRINTED NAME

Manager
TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

VERIFICATION

**STATE OF ARIZONA
I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME) PIMA
NAME (OWNER OR OFFICIAL) TITLE BONNIE O'CONNOR, MANAGER
COMPANY NAME EAST SLOPE WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2010

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT


IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2010 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 306799

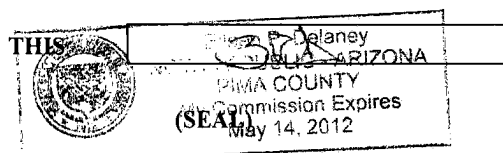
**(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 17795
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**


SIGNATURE OF OWNER OR OFFICIAL
520-623-5772
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF



DAY OF

COUNTY NAME PIMA	
MONTH MARCH	YEAR 2011

MY COMMISSION EXPIRES MAY 14, 2012

See Accountants' Report


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
Intrastate Revenues Only**

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) PIMA
NAME (OWNER OR OFFICIAL) TITLE BONNIE O'CONNOR, MANAGER
COMPANY NAME EAST SLOPE WATER COMPANY

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
12	31	2010

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.


SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2010 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES
\$ <u>257978.60</u>

**THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 15277.49
IN SALES TAXES BILLED, OR COLLECTED)**

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL
520-623-5772
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

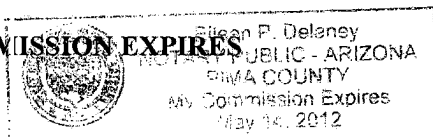
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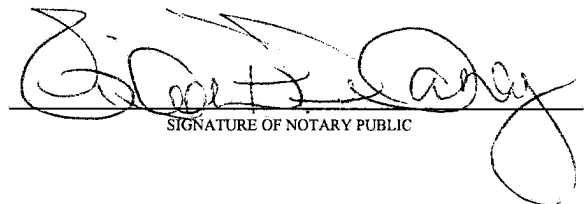
DAY OF

(SEAL)

MY COMMISSION EXPIRES



NOTARY PUBLIC NAME SUSAN P. DELANEY	
COUNTY NAME PIMA	
MONTH MARCH	20 11


SIGNATURE OF NOTARY PUBLIC

See Accountants' Report

HOLM, HESTAND & VALENZUELA, CPAs, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
3131 NORTH COUNTRY CLUB ROAD, SUITE 109
TUCSON, ARIZONA 85716

DOUGLAS R. HOLM, CPA
EMMA K. HESTAND, CPA
JANETTE G. VALENZUELA, CPA

TELEPHONE: (520) 326-8483
FAX: (520) 795-5191
E-MAIL: HHVCPA@EARTHLINK.NET

To the Board of Directors
East Slope Water Company
Tucson, AZ 85745

We have compiled the balance sheets of East Slope Water Company, as of December 31, 2010 and 2009 and the related statements of income and expense for the years then ended included in the accompanying prescribed form. We have also compiled the supplementary information presented in the prescribed form. We have not audited or reviewed the accompanying financial statements and supplementary information, and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary information are in accordance with the form prescribed by the Arizona Corporation Commission--Utilities Division.

Management is responsible for the preparation and fair presentation of the financial statements and supplementary information in accordance with requirements prescribed by the Arizona Corporation Commission--Utilities Division and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements and supplementary information.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements and supplementary information.

These financial statements (including related disclosures) and the supplementary information are presented in accordance with the requirements of the Arizona Corporation Commission--Utilities Division, which differ from accounting principles generally accepted in the United States of America. This report is intended solely for the information and use of the Arizona Corporation Commission--Utilities Division and is not intended to be and should not be used by anyone other than this specified party.

Holm, Hestand, Valenzuela CPAs PC.

February 12, 2011

EAST SLOPE WATER CO
NATHAN WATKINS/MANAGER
301 N GARDEN AVENUE
SIERRA VISTA AZ 85635-3811